

MANAGEMENT FAILURES AT THE NATIONAL PARKS

WEDNESDAY, MAY 24, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
TASK FORCE ON NATURAL RESOURCES AND THE
ENVIRONMENT,
Washington, DC.

The Task Force met, pursuant to call, at 2 p.m. in room 210, Cannon House Office Building, Hon. George Radanovich (chairman of the Task Force) presiding.

Chairman RADANOVICH. Good afternoon and welcome to the Budget Committee Task Force on Natural Resources and the Environment.

I would like to thank everybody for being here today at the first hearing of this oversight Task Force on Natural Resources. Joining me are Pat Toomey, Wally Herger, and Gil Gutknecht; and David Price, Ed Markey, and Joseph Hoeffel.

I look forward to exploring this Task Force's purview and would like to welcome the people testifying today. If you would like to go ahead and take your positions, we will do that before the opening statement.

I want to welcome Barry T. Hill, Associate Director, Energy, Resources and Science Issues for the General Accounting Office; Kevin R. Garden, Partner, Saltman and Stevens Attorneys at Law, on behalf of Fred Vreeman who is the President and CEO of Kings Canyon Park Service Company; and Maureen Finnerty, Associate Director for Operations and Education for the National Park Service.

Welcome, and I am looking forward to your testimony.

In the next 2 days, tourists from all over the country will be making a run on our national parks, particularly the larger parks that offer lodging. These properties are known as destination properties and have been established in some of the Nation's most breathtaking regions. The visitors headed to these parks for the Memorial Day weekend will be the first among millions of travelers expected this summer. They will be among the first this summer to find what the GAO office has found: substandard lodging that fails to provide some of the most basic comforts. In Sequoia and Kings Canyon National Park, set in the towering Sierra Nevada Mountains and covered by groves of giant Sequoias which have stood for thousands of years, this beauty stands in stark contrast to many of the facilities provided in the park. The guests who will use these public bathrooms will be greeted with eyesores such as

mildew, ants, stained shower pans, leaky faucets, spit wads, chipped paint and graffiti, to name a few. Many rooms at Sequoia and Kings Canyon do not meet some of the most basic standards, lacking telephones, locks on doors, windows, electric outlets, et cetera.

What the GAO found in Sequoia and Kings Canyon is representative of a concessions program within the Department of Interior that lacks uniformity, consistency and accountability.

The General Accounting Office looked at several other parks in addition to Sequoia and Kings Canyon and released a report of their evaluation of the National Park concessions program. The GAO questions the Department of Interior's hiring practices of the concession staff. It also criticizes the staggering backlog of expired contracts, the lack of incentives given to concessionaires to offer quality service, and it highlights the lack of accountability and direct supervision within the concessions program. This report is the focus of our hearing today.

Issues addressed in the GAO report are of particular interest to me. I represent an area of three national parks and three national forests, which brings Federal land ownership in my district up to roughly 65 percent. Consequently, I serve on the Resources Subcommittee on National Parks and Public Lands. Our subcommittee has jurisdiction over many of the same issues that this Task Force will be evaluating, including today's issue of concessions within the national parks. The Parks Subcommittee held a hearing several weeks ago which broadly addressed this issue. I am pleased that we are spending time today to look into these matters more intently, and I appreciate the cooperation of the Resources Committee in our endeavor.

Nearly two-thirds of my district is federally owned. It is difficult enough when such a large segment of my district's tax base has been taken out of commission; these difficulties are compounded by the struggle to ensure honest stewardship of these lands, something that we are not getting from the National Park Service. I am sure that my district shares this struggle with other regions of the United States.

I have been a close observer of the Park Service and concession issues for many years. Like the GAO, I question whether the Park Service is doing what it should to see that optimal services are provided to the visitors of our national parks. That is why we are holding this hearing, which is one in a series to ensure that the Federal Government is operating in the best interests of the people.

The Budget Committee is responsible for providing a blueprint for how our Nation spends \$1.7 trillion annually. The Chairman has therefore created several Task Forces to evaluate how Federal money is spent and to ensure that this money is spent wisely. Our goal is to make sure that the government agencies will eventually operate effectively in the administration of the public trust which includes public lands.

Though concessions operations are businesses, they exist to provide needed services to people visiting public lands. The quality of the national park visitors' experience hinges greatly on the quality of the parks' food, lodging, shopping and other facilities provided by the concessionaires, making them part of the public trust.

In an effort to improve concessions, Congress has provided several new funding sources for the parks in recent years. We have also given more latitude to park superintendents with the hope that it would result in needed improvements to concessions.

But what has been done to satisfy the basic needs of visitors in our national parks? The evidence that we have seen from the GAO, the Inspector General, and the Park Service shows that improvements are not happening, and that they have not been happening despite repeated notices over the past 10 years.

I would like to draw your attention to the chart to my right. I want to make the statement that the GAO has also shared some compelling information about concessions contracts. According to the report, there was no training required for those who wrote the \$765 million in contracts in 1998. Furthermore, there was no continuing education requirement for those who write the contracts and no experience required for writing \$1 million contracts. This does not make for good administration of the public trust.

To shed some light on the problems with the concessions program, we will be hearing today from Mr. Barry Hill, Associate Director of Natural Resources for GAO; Kevin Garden, who will be testifying on behalf of Fred Vreeman, President and CEO of the Kings Canyon Park Service Company; and Maureen Finnerty, Associate Director for Operations and Education for the National Park Service.

We will start with Mr. Hill who will testify on the recent GAO report outlining the many deficiencies within the concessions program. These deficiencies have been illustrated consistently over the last 10 years in reports by the GAO, the Inspector General and the Park Service itself.

Next, Mr. Garden will speak to Mr. Vreeman's experience with the National Park Service since entering into a concessions contract with them 4 years ago. In that time, Mr. Vreeman has witnessed firsthand the inconsistencies within the Park Service concessions program. Mr. Garden will tell you that had the Park Service adhered to the contract and acted in a timely manner, the lodging facilities at Sequoia and Kings Canyon National Parks would currently be quite suitable. Finally, we will hear from Ms. Finnerty who will share her thoughts on the GAO report.

The Park Service has responded to this report by outlining some of the changes to the concessions program they are pursuing. These changes include reforms under the 1998 Concessions Act, the implementation of performance-based contracting, and staff changes designed to address problems with management. These reforms all sound viable, although we have yet to see them enacted. It is safe to conclude from what we know of the GAO report, the Park Service's response to the report, and the experience of concessionaires, that there are major shortcomings in the concessions program. We can further conclude that these shortcomings are the result of a lack of diligent oversight and a standard of accountability.

I am looking forward to hearing from each of the witnesses on ways they think we can address these problems. The GAO report on National Parks' concessions illustrates that the program is disjointed and plagued with inconsistency. Whether a visitor's experience at a destination park will be an enjoyable one or a poor one,

particularly as it relates to lodging, is the luck of the draw. This is because of the lack of commitment and oversight within the concessions program. The concessions operation is weighed down by poorly-trained officials and suffers from a lack of accountability, and the visitors to these parks suffer as a result.

Destination parks are the crown jewels of our national park system. The government has taken the responsibility for this land in the interest of ensuring that it will be enjoyed by all. It is incumbent upon the government to make sure that guest services in the parks are run efficiently, effectively, and that is clearly not happening. I hope that this hearing will steer us in the direction of improving the concessions operation and thereby the visitor's experience at our national parks.

Before we hear from the witnesses, I would certainly like to yield to Mr. David Price from North Carolina to make an opening statement.

Mr. PRICE. Thank you, Mr. Chairman. I don't have a formal opening statement, but I would like to add my word of welcome to our three witnesses, and I anticipate their testimony with great interest. We, of course, want to make certain that our National Park Service is operating in a way that is welcoming to guests and that reflects good stewardship of Federal dollars. There are some elements in this GAO report that I look forward to hearing addressed by those who know the report well and also those who are attempting to respond to it within the Agency.

We have set up these Task Forces on the Budget Committee under the assumption that there is going to be some waste and fraud to be identified in various operations of government, and I am sure that is true; but I expect also—and today may be one of those days—that we will come across some of the problems associated with underfunding or inadequate support for various services that our agencies render and we need to know about that as well. Are the staffing levels adequate? Is the mix adequate? Are the contract terms that the Park Service is able to offer to concessionaires, are those adequate? In what ways can we, through funding and other mechanisms, address these problems? To what extent are they already being addressed, and what can we do to help?

I hope that we can approach today's hearing in that kind of constructive spirit because these are challenges that we ought to be able to address, and I think with sufficient goodwill and determination that we can do so.

Welcome, and I look forward to your testimony.

Chairman RADANOVICH. Thank you very much, Mr. Price.

I would ask unanimous consent that all members be given 5 days to submit written statements for the record. Without objection, so ordered.

I would like to begin by introducing Mr. Hill. Welcome to the committee and please—I think the way that we will do this, everybody will be given 5 minutes to make their statement and then we will open up for questioning with the panel after Ms. Finnerty. Thank you.

STATEMENT OF BARRY T. HILL, ASSOCIATE DIRECTOR, ENERGY, RESOURCES, AND SCIENCE ISSUES, THE GENERAL ACCOUNTING OFFICE

Mr. HILL. Thank you, Mr. Chairman and members of the Task Force. It is certainly a pleasure to discuss the management of the Park Service's concessions program; and if I may, I will briefly summarize my prepared statement and submit the full text of my statement for the record.

My comments today are based primarily on two reports. The first report, which we issued in August 1998, reviewed the condition of lodging facilities in 10 national parks. The second report, which we issued in March of this year, addresses key management problems in the concessions program. Both these efforts found that the condition of these lodging facilities varied considerably from park to park and was at times quite poor, as illustrated by the pictures that appear to the right of me. If you look to the picture to my immediate right, it shows exposed wiring in public bathroom and shower facilities at the Sequoia-Kings Canyon National Park. And the picture to the left of that shows poor conditions of drinking water and shower facilities at the Death Valley National Park.

Before I discuss the problems we found and options for correcting them, let me provide some background on the Park Service's concession program. Concessionaires play a significant role in providing services to many of the over 270 million visitors who annually visit the Park Service system. In 1998, the latest year for which data are available, 630 concessionaires provided visitor services in many of the 379 park units located across the Nation.

These concessionaires generated \$765 million in revenues of which \$479 million, almost two-thirds, came from the 73 concessionaires that provide lodging. Our most recent report disclosed shortcomings in the agency's overall approach to managing its concessions programs, and these shortcomings center on the following three areas: First, the inadequate qualifications and training of the agency's concession specialists and contracting staff; second, the agency's out-of-date practices in handling its contracting workload as well as its chronic backlog of expired contracts; third, a lack of accountability within the concessions program.

For the most part, these problems are long-standing and, as you pointed out in your opening statement, Mr. Chairman, are consistent with similar concerns raised by the Department of Interior, the Office of the Inspector General, and the Park Service concession staff.

Let me discuss each problem starting with the staff qualifications and training issue. Concerns about the qualifications and training of the Park Service's concession staff have been raised in numerous studies as far back as 1990. The chart to my right lists several notable reports and other documents that discuss these concerns over the past 10 years.

Primary concerns disclosed by these documents center on the agency's concession staff not normally having the business, financial, and contracting backgrounds needed to successfully carry out the concessions programs.

Despite these disclosures, in the last 10 years the Park Service has made only limited progress in addressing these concerns. Spe-

cifically, the agency has made little effort to professionalize its work force by hiring staff with education or experience in business or hospitality management. Instead, it has chosen to fill concessions positions by internally transferring staff out of other career fields rather than seeking to professionalize the work force. The chief concessions official in one regional office said the agency has taken the view that “anyone can do concessions.” Our work indicates that this comment typifies the agency’s approach to managing its concessions program.

In addition to problems with the qualifications and training of its staff, the Park Service’s concessions contracting practices are out-of-date, and do not reflect the best practices of the Federal Government, the private sector, or even other contracting programs within the agency.

For example, contracting staff in other agencies throughout the Federal Government are encouraged to write contracts that are performance-based, meaning that the contracts contain incentives for good performance and disincentives for performance that falls below expectations. However, the agency’s concessions program is not using performance-based contracts and had no plans to do so.

Furthermore, for about 10 years the agency’s has had difficulty addressing its contracting workload in a timely manner, resulting in chronic backlogs of expired concessions contracts.

The third major management issue affecting the concessions program is a lack of accountability. Under the agency’s organization structure, the head of the program, the chief of concessions, has no direct authority over those that implement the program in individual park units. Thus, the organizational structure of the agency limits the impact that the head of the program or other central offices can have on its ultimate success. This structure relies on regional directors holding park superintendents accountable for the results of their parks’ concessions programs. However, concessions officials in the Park Service’s headquarters in the two largest regional offices indicated that this is not occurring.

Further contributing to this lack of accountability is the fact that there is no process in place for headquarters or regional staff to ensure that park concessionaires are meeting the agency’s minimum acceptable standards or that the standards are being consistently applied, such as using independent inspections that are common in the private hotel/motel industry.

We believe that the Park Service has two principal options available for dealing with the problems identified in the management of its concessions programs: First, using better hiring and training practices to professionalize the work force and thus obtain better business and contracting expertise; and/or, second, contracting for the needed business and contracting expertise.

Regardless of which option or combination of these options it selects, the Park Service will need to strengthen its accountability for and control of the concessions program. Unless changes are made to better link the concessions program at the park level with the agency’s leadership of the concessions program, the impact of efforts to improve the program through the suggested options will be reduced.

In closing, Mr. Chairman, while the Park Service's concession program continues to affect the experience of millions of park visitors each year, the management of the program continues to be plagued by some of the same problems it faced as many as 10 years ago. Until the agency takes action to address these management problems, it will continue to struggle in managing the performance of concessionaires to ensure that these operators consistently provide high-quality facilities and services to park visitors. That concludes my statement and I would be happy to answer any questions you may have.

Chairman RADANOVICH. Thank you, Mr. Hill.

[The prepared statement of Barry T. Hill follows:]

PREPARED STATEMENT OF BARRY T. HILL, ASSOCIATE DIRECTOR, ENERGY, RESOURCES, AND SCIENCE ISSUES, RESOURCES, COMMUNITY, AND ECONOMY DEVELOPMENT DIVISION, THE U.S. GOVERNMENT ACCOUNTING OFFICE

Mr. Chairman and members of the committee, we are pleased to be here today to discuss the management of the Park Service's concessions program. Our comments are based primarily on two reports. The first report, which we issued in August 1998, reviewed the condition of lodging facilities in 10 national parks. The condition of these facilities varied considerably from park to park and was at times quite poor.¹ The second report, which we issued in March 2000, addresses key management problems in the concessions program and options available to address them.²

In summary, our most recent work shows the following:

We found shortcomings in the agency's overall approach to managing the concessions program that center on three areas:

1. The inadequate qualifications and training of the agency's concessions specialists and concessions contracting staff;
2. The agency's out-of-date practices in handling its contracting workload as well as its chronic backlog of expired contracts; and
3. A lack of accountability within the concessions program. For the most part, these problems are longstanding and are consistent with similar concerns raised by the Department of the Interior, its Office of the Inspector General, and Park Service concessions staff.

The Park Service has two principal options available for dealing with the problems identified in the management of the concessions program: First, using better hiring and training practices to professionalize the workforce and thus obtain better business and contracting expertise or second, contracting for the needed business and contracting expertise. These two options are not mutually exclusive in that the agency could contract for expertise in certain functions while developing the expertise in-house for other functions. No matter which option—or combination of options—it selects, the agency needs to strengthen its accountability for and control of the program. Unless this is done, the effectiveness of other changes to the program will likely be diminished.

BACKGROUND

Concessioners play a significant role in providing services to many of the over 270 millions visitors who annually visit the national park system. Concessioners, which are private businesses operating under contracts with the Park Service, provide facilities and visitor services such as lodging, food, merchandising, marinas, and various guided services. In 1998, the latest year for which data are available, 630 concessioners provided visitor services in many of the 379 park units located across the nation. These concessioners generated about \$765 million in revenues, of which about \$479 million (almost two-thirds) came from the 73 concessioners that provide lodging.

For many years, concerns have been raised by the Congress, the Park Service, and GAO about the need to reform existing concessions law and better manage the agency's concessions program. In November 1998, the Congress enacted a new con-

¹National Park Service: The Condition of Lodging Facilities Varies Among Selected Parks (GAO/RCED-98-238, Aug. 6, 1998).

²Park Service: Need to Address Management Problems That Plague the Concessions Program (GAO/RCED-00-70, Mar 31, 2000).

cessions law as part of the National Parks Omnibus Management Act of 1998. One of the Congress's intentions was that the new concessions law would increase competition in the award of new concessions contracts. In addition, the law established an advisory board whose mission was to advise the Secretary of the Interior on improvements the agency could make in managing park concessioners. The problems that we addressed in our report, and are discussing today, are management problems which will persist even under the new law unless the agency takes actions to make improvements.

LONGSTANDING MANAGEMENT PROBLEMS AFFECT THE CONDITION OF LODGING FACILITIES

Concerns about the qualifications and training of the Park Service's concessions staff have been raised several times since 1990 by the Department of the Interior's Office of the Inspector General and the agency's own staff. (App. I lists several notable reports and other documents that discuss these concerns.) The primary concern raised was that the agency's concessions staff do not normally have the business, financial, and contracting backgrounds needed to successfully carry out the concessions program. The Park Service has made only limited progress in addressing these concerns. The agency has made few efforts to professionalize its workforce by hiring staff with education or experience in business management or hospitality management. Instead, it has filled concessions positions by internally transferring staff out of other career fields. Once transferred, the agency's concession staff receive only limited training. A more qualified and better-trained workforce would have a better understanding of industry trends, best practices, and the tools needed to effectively manage concessioners. Rather than seeking to professionalize the workforce, the chief concessions official in one regional office said, the agency has taken the view that "anyone can do concessions." Our work indicates that this comment typifies the agency's approach to managing its concessions program.

In addition to these problems with the qualifications and training of its concessions staff, the Park Service's concessions contracting practices are out-of-date and do not reflect the best practices of the Federal Government, the private sector, or even other contracting programs within the agency. For example, contracting staff in other agencies throughout the Federal Government are encouraged to write contracts that are performance based—meaning that the contracts contain incentives for good performance and disincentives for performance that falls below expectations. However, the agency's concessions program is not using performance-based contracts, and, according to several senior Park Service concessions program officials, has no plans to do so. Furthermore, for about 10 years, the agency has had difficulty addressing its contracting workload in a timely manner, resulting in chronic backlogs of expired concessions contracts. Many concessions contracts expired 5 to 10 years ago, and concessioners have since been operating on 1- to 3-year contract extensions. These expired or extended contracts contribute to the varying condition of lodging facilities because concessioners operating under short-term contract extensions, or nearing the end of their contracts, are less likely to invest in their facilities to make needed capital improvements.

The third major management issue affecting the concessions program is a lack of accountability. While the Park Service, like other Federal agencies, is trying to improve accountability and program performance in response to the Government Performance and Results Act (GPRA) and other related initiatives, the concessions program is an area where these efforts need to be improved. Under the agency's organizational structure, the head of the program—the Chief of Concessions—has no direct authority over those that implement the program in individual park units. Thus, the organizational structure of the agency limits the impact that the head of the program or other central offices can have on its ultimate success. This structure relies on regional directors holding park superintendents accountable for the results of their parks' concessions programs. However, concessions officials in the Park Service's headquarters and two largest regional offices indicated that this is not occurring. Specifically, they acknowledged that superintendents are not being evaluated on the results of their concessions programs. Further contributing to this lack of accountability is the fact that there is no process in place for headquarters or regional staff to ensure that park concessioners are meeting the agency's minimum acceptable standards or that these standards are being consistently applied. In the private hotel/motel industry and the Department of Defense—which manages similar activities—independent inspection teams are used to determine the condition of facilities and services being provided to the public. The Park Service does not have such teams. As a result, Park Service management has no systematic way of determining

what, if any, problems are occurring throughout the agency; whether corrective actions are necessary; or whether new initiatives are warranted.

OPTIONS ARE AVAILABLE TO ADDRESS PROBLEMS IN MANAGING THE CONCESSIONS PROGRAM

Two options are available to the agency to deal with the problems identified in its management of the concessions program: First, professionalize the workforce to obtain better business and contracting expertise or second, contract for the needed business and contracting expertise.

The first option focuses on improving the skills and abilities of the Park Service's concessions staff by changing the agency's hiring practices and upgrading its training. Rather than filling concessions positions with staff transferred from other career fields within the agency, the Park Service could hire staff with backgrounds or education in hospitality and/or business management. By doing so, the agency would gradually develop greater in-house expertise in managing concessioners in a more businesslike manner. In addition, the agency could upgrade the training of its concessions contracting staff so that they were as well qualified as other agency contracting staff outside the concessions program. As it is now, the Park Service staff responsible for administering procurement and acquisition contracts receive far more training than their counterparts in the concessions program.

The benefit of pursuing this option would be that the agency could develop a more qualified, better-trained, and professionalized workforce. However, the agency's past record in taking action to address these issues is not encouraging. Many of the concerns we have raised in this report about the qualifications of concession staff have been raised repeatedly over the past 10 years by the Department of the Interior's Inspector General and by several different departmental or agency task forces. Several times over this period, the Park Service has generally agreed that it needs to professionalize its concessions workforce. However, as our work indicates, the agency has not made significant progress in this area.

Alternatively, the Park Service could contract for the expertise it needs to operate its concessions program. Contractors could be hired to handle a number of financial and business-related tasks, such as planning, writing contract prospectuses, performing financial analysis, assisting with contracting, and evaluating the performance of concessioners.

Contracting for business-related staff would have several benefits. For example, through contracting, the agency could obtain a highly qualified workforce in a short period of time. In addition, the agency would gain some workforce flexibility because it could adjust the number of staff needed to fit the size of its upcoming workload. Contracting would allow the agency to bring more staff on to handle its backlog of expired and expiring concessions contracts and to reduce the number of contractor staff when the workload is diminished.

Furthermore, contracting for certain functions has the potential to improve the program's performance as well as reduce its costs. For example, traditionally, one responsibility of park concessions staff was to conduct inspections of the concessioners' facilities and operations. These inspections can be subjective, and the application of standards can vary from park to park. If the agency centralized and contracted for this function, it could perhaps perform inspections with fewer people and yet achieve greater consistency across the agency.

While contracting has the potential to reduce some costs in the concessions program, it could also increase some costs, particularly in areas where the agency would contract for larger numbers of highly skilled staff than it currently maintains. However, some of these increased costs could be mitigated by centralizing certain functions, such as inspections. In addition, the increased costs could be mitigated by reducing the number of agency staff in the concession program.

The two options available to the Park Service for dealing with its concessions management problems are not mutually exclusive, in that the agency could contract for expertise in certain functions while developing expertise in-house for other functions. These options are principally focused on improving the agency's management of its largest concessioners—most of which are lodging concessioners. In our view, once the agency has made changes in the concessions program to address its largest concessioners, the benefits of additional expertise—whether acquired through hiring, training, or contracting—are likely to cascade down to improve the management of its smaller concessioners.

Finally, regardless which option or combination of options it selects, the Park Service will need to strengthen its accountability for and control of the concessions program. Unless changes are made to better link the concessions programs at the

park level with the agency's leadership of the concessions program, the impact of efforts to improve the program through the suggested options will be reduced.

In closing, while the Park Service's concessions program continues to affect the experiences of millions of park visitors each year, the management of the program continues to be plagued by some of the same problems it faced as many as 10 years ago. For the most part, these management problems are well documented and well known. In fact, the agency generally agreed with the findings and recommendations in our report. However, until the agency takes action to address these management problems, it will continue to struggle in managing the performance of concessioners to ensure that these operators consistently provide high-quality facilities and services to park visitors. To address these problems, our March 2000 report recommended that the agency first, either improve the qualifications of its own concessions staff, contract for these services, or engage in some combination of the two; and second, improve the accountability of park managers by establishing a formal process for performing periodic independent inspections of concessioners' lodging operations throughout the park system and reporting the findings to the head of the agency for corrective action.

This concludes my statement. I would be happy to answer questions from you or other members of the committee.

APPENDIX I.—NOTABLE REPORTS AND MEMORANDUMS THAT RAISE CONCERNS ABOUT THE QUALIFICATIONS AND/OR TRAINING OF PARK SERVICE CONCESSIONS STAFF

Source and date of report/memorandum	Concerns raised by report/memorandum
Report of the Task Force on National Park Service Concessions, U.S. Department of the Interior, Apr. 9, 1990.	Concessions staff do not normally have the business, financial, and contracting backgrounds needed to successfully carry out the concessions program.
Follow-up Review of Concessions Management, National Park Service, Report No. 90-62, Office of the Inspector General, U.S. Department of the Interior, April 1990.	Agency staff working in concessions do not have sufficient educational backgrounds to perform their work well. The report recommends improving the qualifications of staff working in the concessions field.
Report of the Concessions Management Task Force, U.S. Department of the Interior, Nov. 4, 1991.	This report recommends that all agencies within the Department recruit staff for their concessions programs with a basic knowledge of business, including such subjects as contract law and administration, hotel/restaurant management, and financial management.
Memorandum from the Director of the Park Service on Personnel Staffing for National Park Service Concessions, Jan. 12, 1994.	The agency needs more concessions staff with education or experience in business, accounting, business law or the hospitality industry. To recruit qualified staff, the Director suggests that the agency look for candidates outside the government.
Park Service concessions work group, June 1994—findings reported in Concession Careers Future Task Force Report, National Park Service, Oct. 97..	The agency needs to develop a recruitment program, enhance training and development, and improve career development.
Concessions Management Curriculum Task Force Report, National Park Service, Sept. 1995.	The concessions management program has failed to give its employees the training they need to manage the complex concessions program. A systematic, comprehensive employment development program is needed.
Concession Careers Future Task Force Report, National Park Service, Oct. 1997.	This report outlines a series of human resource management processes and recommendations to strengthen and professionalize the staff needed to effectively manage concessions.

Source: GAO's compilation of agency documents.

Chairman RADANOVICH. We will hold questions until testimony is given by all three witnesses.

Mr. Garden.

STATEMENT OF KEVIN R. GARDEN, PARTNER, SALTMAN AND STEVENS ATTORNEYS AT LAW (ON BEHALF OF FRED VREEMAN, PRESIDENT AND CEO, KINGS CANYON PARK SERVICE COMPANY)

Mr. GARDEN. Thank you, Mr. Chairman and members of the committee. I appreciate and thank you for the opportunity to tes-

tify before you today. My name is Kevin Garden. I am an attorney with Saltman and Stevens here in Washington, D.C. and I am before you representing Fred Vreeman who is the president of Kings Canyon Park Services. Mr. Vreeman was unable to make the necessary travel arrangements to be here.

In my testimony I am going to discuss some of the specific experiences that Kings Canyon has had in the last 4 years in operating a concessions contract it has at Kings Canyon. It is my hope in discussing his experiences, I will help you better identify the problems with the current administration of the Park Service's concession program, as well as the solutions to those problems.

To give you some brief background, Kings Canyon Park Service owns and operates various lodging facilities in Kings Canyon National Park, as well as Sequoia National Forest which is run by the U.S. Forest Service. They signed a contract back in October 1996 for a term of 15 years. The contract specifically called for a construction phase in the first 5 years of the contract and an investment by the contractor of \$3.8 million. This period is very critical to the contract because the remaining 10 years are then available to recoup the investment that the contractor makes. The economic viability of the contract in fact is dependent upon this construction period being maintained.

When Kings Canyon Park Service entered into its contract, it intended to complete the construction and remains today intending to do so, and has the financial wherewithal to do that. However, in the 4 years it has been operating its concessions contract, it has been continually frustrated by National Park Service delays in completing tasks needed to complete this construction, a lack of cooperation on the part of the National Park Service, which is critical to performing a contract of this nature as well as being a fundamental contracting responsibility, and inconsistent evaluations and directions from various members of the Park Service.

The reasons for these problems and frustrations is the NPS' lack of a staff knowledgeable with what is specifically going on under this contract, and a lack of awareness of the financial impact of the Park Service's actions on a concessionaire that is trying to maintain a viable operating business.

Kings Canyon believes, as Mr. Hill referred to, that the key to solving these problems is holding the Park Service accountable for its actions. The GAO report focused on holding the various parks accountable to the agency overall. Well, Kings Canyon would also suggest that the Park Service be held accountable to its contractors.

As to the delays I mentioned, probably the most significant one for Mr. Vreeman at Kings Canyon has been the fact that the contract, as I mentioned, called for construction. This was the demolition and reconstruction of various facilities in the park. This included some bathhouses and cabins which are mentioned in the GAO report. In order to do this construction, Kings Canyon needed the Park Service's approval. The Park Service, once this construction was proposed, informed Kings Canyon that an environmental assessment was required under NEPA. However, the Park Service also informed Mr. Vreeman that the Park Service did not have the staff to complete this EA, and if they wanted it done in a timely

manner they would have to do it themselves, so Mr. Vreeman undertook this responsibility, which was not originally set forth in the contract.

Kings Canyon submitted the EA in January 1999 and they repeatedly tried to get the—excuse me, the Park Service repeatedly tried to get Kings Canyon to include in the EA various alternatives which were inconsistent with the specific requirements in the contract. Mr. Vreeman did not want to do that but he did. He was essentially being asked to write an alternative contrary to what he had contracted for back in 1996.

He did not get a final response on the proposed alternative that was consistent with his contract until April of 2000, 18 months later. When that response came, it was a denial of the EA. However, the frustration he felt was that the basis for the denial was based on facts that were known to the Park Service back in January 1999 when he originally submitted the EA. Had the Park Service operated in an efficient and prompt manner, they could have told him of their decision sooner, thus making sure that he could do a better job of maintaining that 5-year construction window.

I referred earlier to a lack of cooperation, and probably the most significant example of this involves an incident with the State Preservation Historic Office of California, also known as SHPO.

When the contract was first obtained by Kings Canyon, the SHPO office had reviewed the various facilities on the park and indicated that they were not eligible for historic status. In fact, they did this twice. However, after performance began, apparently the Park Service, from Mr. Vreeman's understanding, had destroyed some historic structures elsewhere in the park without consulting with SHPO, and also wanted to take down some additional historic structures. Therefore, they were looking to curry favor with the SHPO office.

As a result, they affirmatively went to the SHPO office and identified for them certain facilities that were intended to be demolished and reconstructed under the contract and asked that those be found eligible for historic status. The critical fact was now an environmental assessment was required to do the construction. This was not anticipated originally in the contract and was brought about solely by the Park Service's affirmative actions.

I believe this shows a fundamental misunderstanding of their contractual obligations; i.e., the obligation to cooperate. To take this kind of affirmative action which frustrates the contractor is inconsistent with that obligation. I believe that ties in with the GAO comments on the lack of training in contract matters that the Park Service personnel have. This is a fundamental contracting responsibility that any contracting officer in the Department of Defense would be aware of. But from all respects and all evidence we have, the Park Service has no understanding of this responsibility.

I just want to give you some examples of some of the inconsistent evaluations that Kings Canyon has endured. For example, they recently painted some of the rooms in one of their lodges and remodeled the rooms. A Park Service inspector stated that the paint job in the rooms was unacceptable and had to be redone. Kings Canyon didn't agree with that and contacted the superintendent's office and

a second inspector came along and stated that the paint job was great.

Another example is that they have an employee housing unit in the park built in the 1930's. The wiring, of course, in that unit is quite out of date. An inspector came along one day and informed Mr. Vreeman he had to rewire the building to make it consistent with the current UL Code. This made no sense to him. He has a construction background and he contacted the superintendent's office and a second inspector came out and informed Mr. Vreeman that in fact he was correct; the wiring did not have to be redone because the building had been built prior to that code coming into effect.

I have a few more examples, but they run along the same strain so I don't want to take any further time. Again, thank you for your time and I am happy to take any questions that the committee members may have later.

Chairman RADANOVICH. Thank you, Mr. Garden.

[The prepared statement of Kevin R. Garden follows:]

PREPARED STATEMENT OF KEVIN R. GARDEN, PARTNER, SALTMAN AND STEVENS ATTORNEYS AT LAW, ON BEHALF OF FRED VREEMAN, PRESIDENT AND CEO, KINGS CANYON PARK SERVICE CO.

It is an honor to appear before this task force. I hereby submit this written testimony on behalf of Fred Vreeman, President of Kings Canyon Park Services (KCPS). KCPS is currently a concessioner with the National Park Service and operates lodging and other facilities in Kings Canyon National Park and Sequoia National Forest.

I am Kevin Garden and am appearing on behalf of Mr. Vreeman. Mr. Vreeman is disappointed that he could not make the necessary travel arrangements to be here in person.

BACKGROUND

KCPS is a small family-owned business. In 1996, it was awarded its current contract with the NPS and took over the facilities in Kings Canyon National Park which were run-down and long overdue for replacement. KCPS also agreed to help the NPS complete services to the public for 2 years in the Giant Forest in Sequoia National Park. This area was scheduled for upcoming demolition when KCPS assumed its responsibilities. Because of the run-down nature of the Giant Forest facilities and their pending demolition, completion of these services resulted in significant financial loss to KCPS. Notwithstanding this loss, NPS acquired a Government Improvement Fund of nearly one million dollars as a result of KCPS's efforts. The enticement was placed in front of this family business that it would be able to recoup its losses incurred in operating the Giant Forest facilities under its operation of the concessions contract in Kings Canyon National Park.

However, since competing for and obtaining its current contract to provide lodging and other services in Kings Canyon National Park, KCPS has not been able to operate profitably. This unprofitable status is the direct result of NPS actions which have delayed the construction of new and improved facilities which were identified in the contract at the time KCPS bid for and obtained it. Moreover, the construction phase of the contract has to be completed within the first 5 years (i.e., by 2001) in order for the contract to be profitable. As of the present date some three and one-half years after contract award, significant construction has not taken place contrary to KCPS's intentions and many of the old, deteriorated facilities, some of which are highlighted in GAO's report, still remain despite the efforts of KCPS to demolish them and replace them with new, attractive buildings. In addition, KCPS has incurred unnecessary expenses due to the NPS's inconsistent administration of the Kings Canyon concessions contract. These delays and expenses are the direct result of the NPS's improper management of KCPS's contract.

UNEXPECTED DEVELOPMENT EXPENSES

When KCPS and the NPS signed the long-term contract for concessions services at Kings Canyon National Park, the contract authorized construction of 58 addi-

tional rooms and the replacement of dilapidated and worn out facilities. In the Request for Proposal (RFP), NPS represented to KCPS that, based on the information it was aware of at the time of award, compliance with the National Environmental Policy Act (NEPA) for purposes of this new construction was complete. NPS made these assurances because it was aware, as is any contractor, that compliance with NEPA's requirements is time-consuming and expensive. The construction work called for under the contract was consistent with the Park's Development Concept Plan, which was finalized in 1987. However, now that the contract has been awarded and notwithstanding its prior representations, the NPS is imposing new requirements for NEPA compliance which were not assumed by KCPS under the contract and are not due to any new environmental information.

The NPS has suspended construction activities while it reviews environmental studies which were completed pursuant to NEPA and relevant to the actions which had been clearly set forth under the original contract. As to these actions, NPS had represented that all NEPA compliance had been accomplished. However, no new significant information or changed circumstances related to the environment have occurred since the contract was awarded. Rather, the delay is due to admitted lack of staffing needed to promptly review the completed environmental analysis.

In addition to this action significantly delaying the critical construction phase under the contract, the NPS also informed KCPS that it wanted KCPS to prepare the environmental analyses, at its own expense. KCPS has been told that this is necessary because the NPS does not have the funds or personnel available to accomplish this task. Pursuant to NPS's request, KCPS drafted extensive portions of the environmental compliance documents. However, the NPS refused to edit or review them in a timely manner and continues to insist that KCPS include additional new development alternatives that are not economically viable or consistent with the terms of the contract.

The resulting delays have created unexpected loss of revenue that was not anticipated when the contract was awarded. Additionally, the added expense of preparing the environmental analyses was not anticipated or planned for in KCPS's economic assessment at the time it bid for the contract. The true cause of these delays is not any substantive new environmental issue, but rather an inability by the NPS to efficiently complete the necessary environmental reviews.

CONSTRUCTION INSPECTION AND APPROVALS

After development plans are approved, but before KCPS or any contractor can proceed with construction in the National Parks, it must obtain NPS approval. Simply put, the necessary approvals at each stage of the construction process are slow, inconsistent and expensive. KCPS has found it difficult or impossible to work with the NPS in a manner consistent with its needs to operate a viable business. Based on KCPS's experience, the main reasons for this difficulty are lack of knowledgeable construction inspectors and the inability of the NPS bureaucracy to provide consistent direction.

In an effort to do more than simply criticize, KCPS offers a suggestion for a solution on this particular point. NPS could contract with an entity or agency (whether it be private, county or state) in each park area that has qualified engineers who are licensed to review and approve construction projects. NPS would therefore obtain knowledge of the specific local codes and ordinances which may be applicable to local construction only when specific projects were being reviewed, thus not requiring it to incur the expense of a full-time inspector.

FACILITY INSPECTIONS

Once a facility is completed, it is subject to inspection to ensure that it is being sufficiently maintained and meets the necessary criteria. However, KCPS's experience has been that these inspections are inconsistent and often conducted by untrained NPS personnel. For example, different inspectors reviewing the same facility may rate it differently. In other situations, the same NPS inspector may grade a facility at one level 1 day and, although the same conditions exist upon a later visit, give the facility another grade the very next time.

However, this type of inconsistency, which can produce havoc for a business trying to maintain itself as a viable entity, can be eliminated. As those in the private recreation business are aware, professional inspection agencies are available (e.g., AAA, Best Western, Mobile Travel Service) which would produce consistent reviews. Another option is that the NPS can contract for independent contractors which it then can use in several parks.

GAO REPORT

The recent GAO report entitled "Park Service: Need to Address Management Problems That Plague the Concessions Program" and issued in March 2000 found deficiencies in the operations of the facilities at Kings Canyon National Park. While GAO visited Kings Canyon National Park when many of the facilities were being prepared for the upcoming season and had been dormant for many months, GAO's report highlights the problems that KCPS and the Park itself are left with when planned and needed construction of new facilities is delayed. (The items noted by GAO were fixed when GAO subsequently visited the facilities after they had been opened for the season. These were run-down facilities that KCPS had been trying to replace for 3 years.)

The facilities identified in GAO's report were constructed in the 1920's and 30's. When KCPS became the operator of the facilities in 1996, the facilities were long-overdue for significant renovation or removal. Although KCPS agreed to renovate or remove and replace these tired facilities and the contract specifically identified this goal, the NPS has delayed approvals for the necessary replacement. As discussed above, the approval process is extremely lengthy with inconsistent requests for information and slow reviews. It is and has been KCPS's desire to complete building improvements that are identified in its contract, appropriate for the park, approved by the NPS, meet all NEPA standards and are financially sound. But for the NPS's actions, these efforts would not have been delayed.

SUMMARY

As demonstrated by KCPS's experience, the NPS is not managing the concession program efficiently. KCPS is a contractor able and willing to produce a first-class recreation experience for visitors to Kings Canyon National Park. In fact, it is in KCPS's own interest to do so as it will obtain the financial benefits from attractive lodging facilities. KCPS did not compete for the concessions contract at Kings Canyon National Park under the intention or belief that the facilities present when it obtained that contract would still largely be in place today. In fact, in 1997 KCPS completed the construction of the John Muir Lodge pursuant to its intentions and the contract's specifications. (This facility was not inspected by GAO because it was not yet completed at the time of GAO's visit.) The timely completion of this beautiful and tasteful facility has proven to be the exception and, when compared to the facilities identified in GAO's report, in large part highlights the contrast between proper and improper contract administration.

KCPS is appreciative of the efforts made by Congress to instruct the NPS as to its administration of its concession contracts. However, despite this instruction, concessionaires are still faced with inconsistent contract administration. The arbitrary changes in contract administration effect the economic viability of KCPS's as well as others contracts. KCPS prays that the result this task force will accomplish is to hold the NPS accountable in the proper administration of its contracts. Only upon the imposition of accountability, which does not currently exist, will on-the-ground changes be made and improvements realized.

Thank you for the opportunity to present these positions.

Chairman RADANOVICH. Ms. Finnerty, welcome. We look forward to your testimony.

**STATEMENT OF MAUREEN FINNERTY, ASSOCIATE DIRECTOR
FOR OPERATIONS AND EDUCATION, THE National Park Service**

Ms. FINNERTY. Thank you, Mr. Chairman. I request that my full statement be incorporated into the record and I will briefly summarize some of the high points.

Chairman RADANOVICH. Without objection.

Ms. FINNERTY. The National Park Service does substantially agree with the GAO report. We believe that it will provide a basis for strengthening our program, and working along with the new Concessions Management Improvement Act of 1998, it will allow us to truly implement concessions reform in the National Park Service. The GAO report also deals with many issues that are also being dealt with and looked at by the legislatively established Con-

cessions Advisory Board, particularly issues relating to outsourcing and the professionalization of the work force.

GAO makes recommendations in three major areas. Here in summation is what the National Park Service is doing to respond to those recommendations. On work force professionalization and training, 60 percent of our 125 permanent personnel who work in concessions have either relevant education or experience in business or the hospitality industry. We know we need to do better. We are aware that we need to increase the professionalization of our work force.

We are committed to aggressively recruiting from all sources, from outside sources, again to improve the professionalization of the work force. We have recently hired two individuals with MBAs and we have a key position vacant in Denver, the head of our concessions program center, and it is our full intention to recruit and fill that job from the outside, from the business sector, to help increase the professionalization and oversight of that program.

We do have a Concession Careers Future Report which was completed a couple of years ago. We are moving forward to implement various pieces of that report, particularly as it pertains to training and professionalization of the work force. We have already developed competencies for concession employees and looked at strategies for improving the competency of our concessions work force.

We also are actively engaged in agreements and arrangements with Northern Arizona University to work with us on the hospitality end and increasing expertise on the hospitality side of concessions management.

We are working with Cornell to strengthen our financial capability, in-house financial capability, and we are working with the Army to strengthen and improve many of our contracting procedures.

The second major area that GAO made recommendations on is our out-of-date contracting practices. We certainly agree that this has been the case over a number of years. We now do have a new law and we have new concessions regulations which went into effect just about a month ago. We are now working with the solicitor's office and others to adopt relevant Federal acquisition regulations for our programs, for example, performance-based contracting, and certifying those who are involved in contracting activities in the concessions program.

We are moving forward with dealing with the backlog of contracts that have expired and that are on short-term extensions. We have plans in place to essentially redo over 200 concessions contracts this year through the end of the calendar year, and another 165 are planned for next year. We essentially will do this through the use of teams made up of senior concessions personnel and also through outsourcing various components of the program to help us get the work done.

On the issue of outsourcing or contracting out, in 1990 essentially we didn't contract out any portions of the concessions program and over the last year we have moved to contracting out almost \$1 million of work primarily in the areas of financial analysis, appraisals and arbitration. The advisory board has also been asked to come up with some recommendations for the secretary and the

director on other areas that we can contract out and other ways that we can tap into the private sector to help us to professionalize our contracting capabilities.

The GAO report recommended the outsourcing and centralization of inspections, particularly of large operations. We agree with that. We like that idea and we are moving forward to try to implement that over the next year or so.

On the question of accountability, last fall regional directors were told to put accountability and oversight of concessions in the performance standards for those 132 parks which have concessions programs. A critical element will be added to the performance standards of all of the SES individuals, namely the regional directors who have oversight of superintendents. This will take place on July 1.

We are critically looking at the phasing out over a period of time of collateral duty personnel. This has been one of the issues which has been raised, folks trying to do 3 or 4 or 5 different tasks. It is particularly an issue in those parks which have big concessions programs and have only part-time individuals that may not be adequately trained and may not have the experience.

We have put together a budget request for the 2002 budget which is the next cycle that we can influence, specifically requesting additional resources again to help beef up our professional staff both in parks and regional offices. We have contracted with PricewaterhouseCoopers. They have started to look at our entire concessions program. They are doing an analysis of ways that we can improve it, what are our shortcomings and deficiencies, and hopefully we will come up with some recommendations that will be helpful to us in the years ahead.

Also the Service as a whole is looking at reinstituting an operations evaluation program which we used to have that essentially looks at all operational programs in the field and is another method and practice that really helps improve accountability. We have not done that in a number of years, and I think the director is committed to reinstituting that and putting that in place so we can improve accountability not only in the oversight of this program but also in others where we have had some challenges.

That completes my remarks, Mr. Chairman, and I will be happy to answer questions.

[The prepared statement of Maureen Finnerty follows:]

PREPARED STATEMENT OF MAUREEN FINNERTY, ASSOCIATE DIRECTOR FOR
OPERATIONS AND EDUCATION, THE NATIONAL PARK SERVICE

Thank you for the opportunity to discuss with you the recently issued report by the General Accounting Office (GAO) on the management of the National Park Service concessions program. This report, entitled "Park Service: Need to Address Management Problems That Have Plagued The Concessions Program" (GAO/RCED-00-70), highlights issues and factors that impact the National Park Service (NPS) concession program.

As Don Barry, Assistant Secretary for Fish and Wildlife and Parks, indicated in a letter to GAO dated March 16, 2000, overall, we agree with many of the report's findings. This report offers us an opportunity to strengthen our program and begin true concessions reform, while supplementing our ongoing efforts to implement the Concessions Management Improvement Act of 1998. One such effort includes a proposal in the President's 2001 Budget to establish a new Senior Executive Service position in the National Park Service for an Associate Director for Partnerships and Business Practices, which will enforce our commitment to improving the concessions

program. Another effort involves the increased consideration of performance-based contracting measures. Though the report focuses on the condition and management of lodging facilities operated by concessioners, it appears that many of the factors that were examined could apply equally to other aspects of the NPS concession management program. The implementation of these recommendations will benefit park visitors and the program in general.

The report covers issues that are very similar to those that are being dealt with by the National Park Service Management Advisory Board. This body, created by Congress in the Concessions Management Improvement Act of 1998, is tasked with advising the Secretary on ways to improve the concessions program. The Board consists of members from the hospitality, tourism, accounting, outfitting, and crafts industries, as well as a member from a nonprofit conservation group, and a member from a state government agency. The Board is in the process of preparing a report to Congress pursuant to this act, and it will deal with many of the issues covered by this GAO report, such as outsourcing, and the professionalization of the NPS concessions workforce.

WORKFORCE PROFESSIONALIZATION AND TRAINING

The GAO report recommends that NPS recruit workers with business and hospitality backgrounds, and train its employees in these disciplines. It notes that our program lacks employees with professional education and experience in business, finance, and accounting. We agree that NPS must enhance its concessions management expertise by improving training for current employees, recruiting new employees with a background in the hospitality industry, and contracting out when it is more efficient to do so. The NPS previously identified professionalization of the workforce and succession planning as a priority and identified them as elements in the Concession Careers Future Report approved by the Associate Director, Park Operations and Education in 1997. The report outlines a series of human resource management processes that will allow us to professionally manage the concessions program into the next century. The Concessions Management Improvement Act of 1998 could potentially provide us with some additional fiscal resources, especially to address immediate needs for appraisals and financial analysis of contracts that have built up over the past few years.

We understand the need for more concessions staff with a background in the hospitality industry. We believe, however, that the GAO report may understate the value of concession managers and staff having broad experience in other park programs. It is common practice in business to rotate key staff through different programs within a company to gain a breadth of experience in company operations. We believe the most effective team for NPS concession management consists of a good mix of those with experience in other park programs, teamed up with specialists from the business community and hospitality industry. In fact, employees who have a stronger NPS background and insignificant hospitality experience, administer the outstanding program at Zion and Bryce Canyon National Parks that was highlighted in this report.

In the same vein, we believe that GAO may have over-emphasized the importance of specialists from the hotel industry. The majority of businesses in national parks are not part of the hospitality industry, which is generally thought to include lodging, food service, marinas, and merchandising. More than half of all park concession contracts involve traditional park activities, such as livery operations, river running, hiking, and climbing, all of which have very little or no relation to the standard hospitality industry activities and businesses. Less than 25 percent would be recognized as traditional industry operations. Alaska, for example, has 400 companies providing commercial visitor services in 15 national parks. Only three of these are primarily in the lodging business. The majority is in guide and outfitting, with the largest revenues and franchise fees generated by cruise and tour operators. Of course, the majority of concessions revenue is earned from businesses in the hospitality industry, and our emphasis should be on improving the oversight and management of these contracts.

Another area of emphasis is the increased use of performance-based contracting. People with financial skills, coupled with current facility assessments and adequate planning documents are necessary for development of contract requirements, while people with contracting backgrounds are needed for the actual mechanics of contracting and contract administration (amendments, extensions, sales/transfers). More contracting challenges could also arise as competition for new contracts increases as a result of Public Law 105-391 and sales and transfers become more complex. Concessioner support of the NPS visitor service and education mission depends on the traditional agency abilities and knowledge that park employees bring

to the table when working with concessioners. Yet, we also need contract specialists that can introduce some of the advances that other agencies and businesses have made in using performance-based contracts to encourage more responsive contractors and concessioners.

The National Park Service Organic Act, as well as the new concessions law, provides for visitor use and enjoyment of an area when necessary and appropriate and when consistent with the protection of park resource values. The use component is not an independent or unconnected arm without any ties to our agency preservation responsibilities. There must be a coordinated effort that blends together the use and preservation components seamlessly when providing a park visitation experience.

The National Park Service will aggressively recruit from the private business sector when specific positions require that type of knowledge and expertise. The NPS will also implement the previously discussed Concession Careers Future Report to ensure NPS employees with concession responsibilities have mastered program competencies. Furthermore, the NPS will contract out for expertise when it is appropriate to do so. In the interim, we are developing a concession contracting certification program modeled after the Department of the Interior's contracting officer's warrant certification program, and are having discussions with Cornell University and the Department of Defense in the development of an advanced finance course. We have also discussed with the Department of Defense Training Academy the cross training of NPS concession personnel and the possibility of developing specialized training specifically to meet NPS contracting needs. We are also working with Northern Arizona University to develop a hospitality curriculum for concessions employees.

We have recommended that \$90,000 be dedicated for concession training in the FY 2001 servicewide program. Additional training funds may be needed, depending on the mix of training, new hires, and contracting out.

OUT-OF-DATE CONTRACTING PRACTICES

The GAO Report also stated that NPS has outdated contracting practices. We agree with GAO that concession contracting can benefit from the best practices of the Federal Acquisition Regulations. There is, however, a significant difference between concession contracting and the procurement function. Concessions contracting must have as its primary goal the protection of park resources. FAR contracting, on the other hand, is often (but not always) focused on the lowest cost bidder. Both, however, are intended to obtain the most appropriate return to the government, so there are issues that apply to both.

We concur with GAO that contract extensions hamper the effectiveness of the program and affect the quality of visitor services and facilities. Public Law 105-391 and new concession regulations will allow us to move forward and address this important issue.

The National Park Service will review the concession program and update its practices where appropriate. We will also continue to investigate mechanisms, such as performance-based contracting, for providing financial incentives to concessioners for exceptional performance and disincentives for mediocre performance. The development of certifications and specialized training for our personnel, as noted above, will help us update our contracting practices.

OUTSOURCING

The GAO report also recommends that NPS outsource certain aspects of the concessions program. We agree with GAO and are, in fact, presently outsourcing significant components of the concession contracting process. Financial analysis, appraisals, and arbitration are contracted with the private sector on a regular basis. There are, however, other significant components of the contracting process, such as planning, that occur at the park level and cannot be contracted out. Park planning documents based on General Management Plans, Development Concept Plans, Commercial Services Plans, and cultural and natural resource compliance documents relate to the fundamental mission of the Park Service to preserve park resources, and thus should not be contracted out.

The National Park Service will continue to contract out portions of the concessions contracting program. We will also explore the possibility of contracting out other functions, such as intermittent inspections of larger, more complex concession facilities with centralized teams to augment existing park concession management programs.

LACK OF ACCOUNTABILITY

We concur with GAO that the NPS must improve accountability of park managers. A number of factors contribute to this weakness. One factor is the use of the collateral duty concession manager in parks with major, complex concession programs. Collateral duty personnel administer approximately 20 percent of the 90 contracts that gross over one million dollars. The use of collateral duty personnel contributes to a lack of understanding of the details of the program, an inconsistent approach on how the program is managed and a lack of focus and consideration for the complexity and importance of the concession management program. Technical assistance to some of these parks could remove the need for most collateral duty operations. Coupled with a policy that would place full-time concession specialists in parks that presently have collateral duty personnel administering the concessions program, this would ensure a more consistent approach to concession management service-wide.

We agree with GAO that successful completion of concession management responsibilities and oversight should be considered during annual performance reviews. This is a review that must be applied service-wide.

NPS will ensure successful completion of concession management responsibilities during annual performance reviews conducted by the Director for each regional director, and by the appropriate regional director for each park superintendent with concession responsibilities.

This concludes my testimony. I would be happy to answer any of your questions.

Chairman RADANOVICH. Also for the record, we are allowing the written testimony from the Department of Interior's Inspector General for the record, and I ask unanimous consent that the full testimony of each witness be in its full text in the record. Without objection, so ordered.

[The prepared statement of Earl E. Devaney follows:]

PREPARED STATEMENT OF EARL E. DEVANEY, INSPECTOR GENERAL, U.S.
DEPARTMENT OF THE INTERIOR

As the Inspector General of the Department of the Interior, I want to thank you for this opportunity to provide a statement to the Committee about the National Park Service's (NPS) management of concessioners at our nation's parks.

The Office of Inspector General (OIG) has provided extensive audit coverage of NPS's concessions management, contracting, and fee collection activities over the past decade. Repeatedly, we have issued audit reports that describe ineffective, inefficient, and disadvantageous NPS concessions management practices; inadequate oversight of concessioners' operations; and concessioners' noncompliance with Federal law and internal NPS policy. Our audits reveal three general shortcomings in NPS's concessions management:

1. NPS has not obtained a fair return from concessioners that operated in the national parks, particularly on franchise fees, which are revenue-based fees that concessioners pay the Government, and on fees for the use of park buildings and facilities;

2. NPS has not received full reimbursements for utility and maintenance services provided to concessioners; and

3. NPS has not employed businesslike practices, such as competitive procurement practices and unrestricted offerings of concessions opportunities, in contracting for concessions operators.

Legislation governing Federal concessions policy explains some of NPS's failures to follow businesslike practices in its management of concessions. Prior to November 1998, the controlling legislation was the Concessions Policy Act of 1965, which had few incentives for NPS to manage its concession program in a more businesslike fashion. For example, until 1998, all franchise fees were deposited into and retained by the U.S. Treasury. Thus NPS reaped no financial benefit from aggressive efforts to obtain higher concession fees. Also, until 1998, concessioners were given preferential rights in contract renewals—a condition that discouraged competition in concession contracting.

With passage of the National Park Service Concessions Management Improvement Act of 1998, NPS was granted the right to retain concession fees and existing concessioners' preferential rights (with few exceptions) were no longer authorized by law. Since the Improvement Act's passage, NPS has not resumed concession contracting. As such, NPS has not been able to benefit fully from the potentially more

advantageous terms and conditions that might be provided in new or reissued concessions contracts.

The OIG continues to have concerns about NPS's commitment to improving its concessions program. Time and again, we have issued audit reports making recommendations for improving concessions management, and time and again NPS has not effectively or fully implemented these agreed-upon recommendations. For example, in 1990, we issued a follow-up audit report on concessions management, in 1994 we issued another concessions management report, and in 1999 we issued an audit about concession contracting procedures, all of which stated that NPS failed to ensure that concessioners paid fees that adequately compensated the Government for the privilege of doing business in the national parks and for use of park property. Despite NPS's representations that it had implemented our recommendations on charging concessioners fully for fees and for their use of park utility and maintenance services, our follow-up audits have shown that our recommendations have not, in fact, been fully implemented.

Although the Improvement Act should encourage NPS to adopt a more businesslike approach to concessions management, we do not believe that the Act's passage has or will, standing alone, result in effective management of the concessions program. The deficiencies in NPS's concessions program that we have identified in our audit reports—the absence of an accountable management structure, insufficient staff training and expertise, and insufficient policy and controls to monitor policy implementation—appear to be ongoing. For instance, in March 2000, GAO issued an audit report, "Park Service: Need to Address Management Problems That Plague the Concessions Program." That report reaffirmed our previous findings, such as NPS's having "out-of-date" methods for handling its contracting workload and a "chronic backlog of expired contracts, lacking accountability in its concessions management program, and having inadequate qualifications and training for its concessions staff.

In summary, these recent GAO findings, coupled with OIG's findings over the past decade, suggest that more is needed to bring NPS's concessions management in line with responsible businesslike practices.

SUMMARY OF OIG AUDIT REPORTS RELATING TO NATIONAL PARK SERVICE'S CONCESSIONS MANAGEMENT OVER THE PAST 10 YEARS

1. In April 1990, the OIG issued "Follow-up Review of Concessions Management, National Park Service," (No. 90-62). The audit, requested by the Secretary of the Interior, evaluated NPS's effectiveness in managing major concessioners' operations. The audit was a follow-up of an OIG March 1986 report "Audit of Concession Management, National Park Service." The audit concluded that NPS did not have an adequate method for computing franchise fees and did not encourage competitive offers for concessions operations. Specifically, the audit found that:

- NPS did not receive adequate fees from large concessioners. OIG attributed this deficiency to factors such as NPS not charging fees recommended by NPS rate-setting officials, mutual agreement clauses in contracts that prevented NPS from establishing revised fees unilaterally, and concessioner resistance to higher fees. OIG stated that NPS "generally opted to obtain capital improvements in lieu of higher fees" and that these improvements "tended to enhance the concessioners' facilities." OIG also said that NPS's concessions program personnel did not have appropriate or adequate educational backgrounds to set concession fees. It further referenced an NPS Concession Funding Task Force's 1988 draft report that found that "additional training for park managers and other personnel involved in concession programs was needed."

- NPS generally did not charge concessioners fair rental value for their use of Government buildings. OIG found that NPS did not consistently obtain building appraisals and, even when appraisals were done, NPS did not charge market rates because concessioners made building improvements and/or resisted the charges.

- NPS reduced franchise fees in recognition of concessioners' agreements to pay for capital improvements. These improvements, however, generally benefitted the concessioners exclusively. Also, NPS did not have adequate procedures for ensuring that concessioners' planned capital improvements were properly financed and completed in accordance with contract provisions.

- NPS did not solicit competition in concession contracting and provided insufficient information for interested parties to evaluate offered concession opportunities.

The 1990 audit contained 16 recommendations to correct these deficiencies in the concessions program.

2. In September 1994, OIG issued "Concessions Management, National Park Service," (No. 94-I-1211). The audit evaluated whether NPS received a fair return from

concessioners and effectively managed the collection of and accounting for franchise fees. The audit found that:

- NPS did not consistently obtain a fair return from concessioners because first, NPS had not implemented recommended fees, second, NPS undercharged for the use of Government buildings, third, NPS overcompensated concessioners for their park investments, and fourth, NPS allowed concessioners to exclude the sale of Native American handicrafts from gross receipts (on which franchise fees are based).
- NPS did not adequately monitor special account deposits, record as a receivable franchise fees due from concessioners, record franchise fees accurately, require monthly payment of franchise fees, or enforce the requirement for electronic fund transfers of fee payments of \$10,000 or more.

Many of the deficiencies identified in the 1994 audit report were previously identified by the OIG 4 years earlier in its 1990 audit report. The 1994 report contained 13 recommendations.

3. In February 1997, OIG issued "Oversight of Concessions Operations and Fee Payments, Guest Services, Inc., and Rock Creek Park Horse Centre, Inc." (No. 97-I-515). This audit report similarly evaluated whether the NPS effectively managed the collection of and accounting for franchise fees from concessioners. The report found that NPS:

1. Had not reviewed and revised concessioners' operating and maintenance plans as required by NPS policy;
2. Did not monitor concessioners' operating hours and seasons;
3. Did not always approve concessioners' rates and prices;
4. Allowed concessioners to operate at facilities that were not authorized under a concession contract; and
5. Allowed a nonprofit organization to operate in a park without contract authorization. Also, NPS did not ensure that concessioners reimbursed the Government for all utility costs and did not ensure that concessioners implemented adequate controls over the revenues on which franchise fees are based.

The report contained eight recommendations.

4. In March 1998, OIG issued "Concessioner Improvement Accounts, National Park Service" (No. 98-I-389). The objective of the audit was to determine whether amounts deposited into concessioners' special accounts and expenditures from the accounts were appropriate. The report found that first, NPS did not provide clear, sufficient, and timely guidance on special accounts; and second, two of five concessioners made improper deductions from gross receipts in determining amounts to be deposited into special accounts.

The report contained three recommendations.

5. In March 1998, OIG issued "Follow-up of Maintenance Activities, National Park Service" (No. 98-I-344). In this follow-up audit, the OIG found that NPS had not taken sufficient actions to recover its costs of maintaining facilities used by concessioners and other non-Governmental entities.

The report contained three recommendations.

6. In April 1998, OIG issued "Follow-up of Recommendations Concerning Utility Rates Imposed by the National Park Service" (No. 98-I-406). This follow-up audit concluded that NPS did not revise guidance on the recovery of utility system capital investment costs, did not fully recover all utility system operation costs from non-Governmental users, and failed to ensure that receipts for utility services were collected and deposited in compliance with NPS policy.

The report contained six recommendations.

7. In June 1999, OIG issued "Concession Contracting Procedures, National Park Service" (No. 99-I-626). The objective of the audit was to determine whether NPS's concessions contracting was conducted in compliance with Federal law and in accordance with NPS guidance. The OIG found that NPS did not fully comply with Federal law and NPS policy in contracting for concession operations, and that NPS did not ensure that the Government obtained a fair return from concessions operators. Specifically, NPS did not comply with its policies for approving concession contracting actions and fee adjustments and for extending expired contracts. NPS also did not periodically reconsider fees as required by law and by provisions in concessions contracts, did not consistently obtain reimbursement for utility services provided to concessioners, and did not require all concessioners to assume full responsibility for maintaining their facilities. Also, NPS did not always implement or fully implement recommended fee adjustments, identify the projects for which special account funds were to be used, or charge building use fees. All of these deficiencies had been identified in prior OIG audit reports. OIG also found that NPS received no payments for Government-owned housing used by concessioner employees. Furthermore, if the concessioners received rent for the housing, they were not required to include the rent in the revenues on which their fees were based.

The report contained nine recommendations.

Chairman RADANOVICH. My first question is for you, Mr. Hill. And I appreciate Ms. Finnerty addressing each problem and it sounds like you are on the right track. There is a problem with the poster over here. We have had 7 reports over 10 years. One thing that you mentioned that has occurred most recently has been the recent concessions contract. Mr. Hill, based on the lack of performance as a result of the last 7 reports over the last 10 years, in your view will the concessions contract that was recently adopted—I think it was what, 1998—will that help in a situation like this or is this an issue of funding? Is it an issue of lack of response to congressional inquiries?

Mr. HILL. I think you are referring to the National Parks Omnibus Act of 1998, those requirements that put some additional or new requirements on the concessions program. There were a lot of things contained in that law, perhaps the biggest being getting rid of the preferential right of renewal provision that the old law provided for. And I think there are a lot of things that will help the Park Service improve the program. There are a lot of things in that law that are consistent with prior findings and recommendations that GAO made over the years. But I think the problems that we are talking about today are more management problems and I don't think that law is really going to address that. I think that has got to come from within the Park Service and Department of the Interior itself in order to fix those problems. Those problems can continue to exist even with the new law.

Chairman RADANOVICH. Why, after 7 reports over 10 years articulating problems, is there still no change in management?

Mr. HILL. That is probably a question you should ask the Park Service. Our feeling is that it has been a low priority. They have not given it sufficient attention and authority and come to grips with the problem.

I am encouraged to hear about the positive response that they are planning to do, but I think there is certainly a need for the Congress and certainly GAO to continue to provide oversight and follow through to make sure that they implement a lot of the provisions that Ms. Finnerty just got done describing.

Chairman RADANOVICH. Mr. Garden, for Mr. Vreeman who has been frustrated with his contract that he signed for Kings Canyon, is there relief on the horizon? Are you still in the middle of the problems? I know that you have recently opened one new facility, but there are more to come, I think. What is the status? Is this a nightmare that has already happened or a nightmare that you are in the middle of?

Mr. GARDEN. A little of both. There has been a nightmare which put him behind schedule. I do understand that currently there are discussions that are underway and they are going fairly well. It is Mr. Vreeman's hope that it is not too late to get the work done that he needs to get done to make the contract viable over the full 15 years, but that is by no means a given right now.

Chairman RADANOVICH. Ms. Finnerty, your response to—it has been 7 reports over 10 years, and listening to GAO it sounds more like a management problem than a funding problem. Would you care to respond to that? And also perhaps with the results of what

we see here under the lack of experience and qualified personnel dealing with concessions contracts, has that been—has that been an issue that is considered low priority with the Park Service? Does it therefore not get addressed because they have given attention to higher priority issues?

Ms. FINNERTY. Well, I think it is obviously—and we have had a number of reports, many of which, as GAO pointed out, have sort of repeated the same findings and concerns. There have been sporadic attempts to try to deal with this, to try to issue directives to the field to ask them to start focusing on this. I think it is a combination of things. I think it is perhaps not enough resources in the program. We only have 125 permanent people managing a \$765 million program. That is down from what we had a number of years ago due to downsizing and a number of other things. I don't think that we have had the resources and been able to put the resources into training and professionalization.

I would agree with GAO that I don't think the new concessions law and the procedures that it spells out, particularly on contracting and that kind of thing, necessarily are going to fix some of the management problems that we agree that we have had. But there are two provisions of that law that are going to help us address this program and the problems.

One is the establishment of an advisory board which is an external group made up of professionals with a lot of expertise in the area of concessions management, accounting, finance, tourism, outfitters and those kinds of things. They have met twice. They are actively engaged in working with us. At their last meeting they had extensive discussions on the GAO report and recommendations. They will be coming forward in November with a report to the Secretary, which I expect will help us to address and deal with a lot of these issues so we have that body that is giving us a lot of assistance.

Secondly, the new law does allow franchise fees to be retained by the National Park Service. Eighty percent of them are in the parks where there are concessions and 20 percent go into a servicewide pot, so we now have a source of funding that we are tapping into this year already to help us with some of the outsourcing and the contracting and also some of our training and professionalization needs.

So I think those two things are going to help us and give us some resources that we haven't had in the past and we are very much looking forward to having those things assist us in the management of the program.

On the issue of training for people who do contracting and concessions, we obviously agree with those findings. We have been pretty deficient in the training requirements that we have asked our contracting people to—in concessions, essentially they have had almost no training and we now have a 5-year training program in place. We estimate if we spend about \$450,000 over the next 5 years we can substantially increase the professionalization of the group. We are also looking at requiring certification which they do under other procurement regulations. So I think some of those things are well underway and I think we will have some real positive influences on the program.

Chairman RADANOVICH. Thank you. I yield to you, Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman.

Mr. Hill, let me discuss some background information about the GAO report and some of the conclusions one might draw from it about the duration of this problem and the nature of it. How many parks have you looked at and how did you determine the sampling procedure as to what you would look at?

Mr. HILL. Over the two audits that we did, the first audit looked at 10 parks.

Mr. PRICE. When was that done?

Mr. HILL. It was issued in 1998 and it included the results of our investigation at 10 parks. The parks that we chose there were a mixture of parks. Obviously we were focusing on parks with lodging facilities. We wanted to find some parks that were operating under the government-owned, concession-operated types of facilities as well as the concession-owned, concession-operated types of facilities. We wanted a mixture and a geographical dispersion. We wanted different concessionaires.

And that audit was strictly focused on looking at the conditions of these facilities. What we basically found was a mixed finding. We found all kinds of interesting things. We found some parks that the lodging facilities were in very good condition, others were in OK condition, and we found a number that we thought were in terrible condition.

The second report was geared more toward why. Why the inconsistency in the facilities out there? We took five of the same parks that we had originally visited. We took two that were in very good condition and three that were not in so good condition. In addition, we added two more parks that had multiple concessionaires operating it to see what was the common thread that would create this inconsistency out there. We looked for a pattern where there was a government-owned, concession-operated facility or a concession-owned, concession-operated facility, or maybe it was a seasonal park. We wanted to get a feel for what was the root cause that would create these inconsistencies. Maybe it was the contract itself.

The bottom line was that there was no pattern other than the common thread we found was the lack of management and attention and accountability that we found pervasive in the program.

Mr. PRICE. So you picked a diversity of park and concessionaire and management arrangements in the initial sample?

Mr. HILL. That is correct.

Mr. PRICE. Were you focusing on situations where problems were reported or suspected? Did that enter into your choice of situations to investigate?

Mr. HILL. Not really. I think we were looking at the larger parks. We went to the Park Service and sought their advice in terms of getting input from them as to what parks they felt would be good parks to look at. We consulted with them in the process as well.

Mr. PRICE. So you wouldn't have much doubt that the range of findings that you reported could be generalized to the broader universe?

Mr. HILL. The 12 parks that we went to are among only 30 parks with these types of hotel lodging facilities. There are an additional 15 parks which have accommodations but they are considered more

rustic or back-country type things. So 12 out of 30 is a fairly representative sample. I don't think that the Park Service would question that it was a biased sample and I think they would agree that it is fairly representative.

Mr. PRICE. I want to get some parameters established here. As the Chairman said and you said, this is not the first report. They go back 10 years at least. What is the time frame? When did we first have a report roughly comparable to the one that we are looking at now? Ten years was used; is that accurate?

Mr. HILL. There have been reports issued by the Park Service itself, the Inspector General, that have documented problems with the concessions program over the past 10 years.

Mr. PRICE. That raises a question about what does it mean to say that these problems have persisted? One question is, has the kind of problem we are talking about here remained the same? And then, secondly, are we talking about the same parks over time? For example, have Death Valley and Kings Canyon or Sequoia consistently had problems? In those earlier reports, were problems identified and fixed and are we now looking at different parks? Can you put these in perspective? It is not very helpful if we don't know what kind of mix of parks we are looking at.

Mr. HILL. That is part of the problem; there is no baseline data that anyone keeps. It is hard to go back. There are no centralized inspection records where you can go back and see inspections done at these parks and the results of those inspections. These are all done at the park level. They are self-done inspections basically. The parks are supposed to maintain the records. But, in some cases they don't. The information that they collect is not very good. We generally know that when they do these self-inspections, most of the time they give satisfactory ratings.

Mr. PRICE. You are referring to studies and reports that go back 10 years. Those are not all internal self-inspection documents. Did GAO not look into the time line on these situations that you were examining and look back and see to what extent these problems had existed earlier or had been dealt with earlier?

Mr. HILL. The problems that were identified in the earlier studies dealt with the problems that we mentioned in terms of lack of qualified staff, lack of training, lack of accountability. Those problems have been raised for the 10-year period, and we certainly found them present in the audit work that we did. Our audit was limited to the lodging concessionaires and the extent of our work was done in basically the past 2 or 3 years.

Mr. PRICE. You specifically identified serious problems at Death Valley and Sequoia-Kings Canyon. Do you have information about how long those problems have persisted?

Mr. HILL. No, I don't.

Mr. PRICE. So the generalization that these problems have been around for 10 years and not dealt with, they don't apply to individual cases? I don't understand the basis for the generalization.

Mr. HILL. Those studies were done by the Park Service and the Inspector General themselves. When we went out and looked at these lodging facilities, we found those same problems persisting at those facilities. I can't say what the condition of those facilities—the lodging facilities were 10 years ago, because we did not do that

work and those reports explicitly, and we don't have that level of detail in them that I'm aware of.

Mr. PRICE. I see. In your opinion, has the leasehold surrender interest provision of the 1998 National Parks Management Act improved the efforts of private concessionaires to upgrade facilities? First of all, if you can explain how those provisions work, what kind of incentives there are for and against concessionaire investment in facilities, and what is your bottom line assessment?

Mr. HILL. I do know that the old law provided for a possessory interest that the concessionaire would build up in facilities. That basically was changed by the most recent law and it does provide a leasehold surrender interest basis. I don't have much more details than that at this time.

Mr. PRICE. It is an interesting question. Does that provide stronger or weaker incentives for a concessionaire to upgrade facilities? I want to ask the Park Service that question as well.

Mr. HILL. I don't have an answer right now.

Mr. PRICE. Let me turn to the Park Service in the second round. But first, Mr. Hill, in the GAO report you address and then dismiss several potential mitigating factors on concessions quality. You say that you don't find significant differences between seasonal and year-round use or between public and private ownership, et cetera. Is there anything any lingering questions here as to the firmness of those findings that these factors are not important?

Mr. HILL. This is what I was referring to earlier where we were looking for a pattern in terms of why these conditions varied so greatly and we did not see a pattern. In one case of the 12 parks that we went to, the same concessionaire was operating the lodging facilities at three different parks, and we found very different conditions even within the same concessionaire. What that shows is that the quality of the conditions of the lodging facilities are dependent largely on the quality of the concession staff that are operating it and the quality of the park staff that are overseeing that concessions contract. It has nothing to do with a particular concessionaire or arrangement; that is, concession-owned and operated versus government-owned and concessionaire-operated. We found no pattern in terms of seasonality or anything like that.

Mr. PRICE. So the pattern that you do find applies to what?

Mr. HILL. It applies to the degree of management and oversight that the Park Service officials are providing at the park unit itself and the extent to which they are accountable for what they are doing out there.

Mr. PRICE. Your conclusion is that it is not uniformly defective, but sporadic. It is sporadic and therefore in need of systematic attention? Is that a fair statement?

Mr. HILL. It is very park-specific depending on the people involved in this. We think that there is a greater need for more centralized oversight and management of the program at the headquarters and regional office level and the need to make the parks more accountable to make sure that you have consistency throughout the entire system.

Mr. PRICE. Thank you.

Chairman RADANOVICH. Thank you, Mr. Price. Mr. Toomey.

Mr. TOOMEY. Thank you, Mr. Chairman.

I would like to ask Mr. Hill just a couple of questions. The March 2000 GAO report dealing with—specifically in the section where you refer to the Park Service concessions contracting practices, it mentions that these practices are out of the date and do not reflect the best practices of the Federal Government or the private sector or other contracting parties. It talks specifically about performance-based contracts being the norm, I think it would be fair to say, is my understanding of the way that this is written. Has the GAO specifically recommended the use of performance-based contracts?

Mr. HILL. We have not specifically recommended that, but it is part of the FAR requirement; but here again, this particular program is not required to follow the Federal acquisition regulations.

Mr. TOOMEY. But it is your belief that performance-based contracts are the better way to go; that is the standard for this kind of contracting; is that correct?

Mr. HILL. That is correct. Not only do we believe that, I think the Department of Interior believes that in whole, because we have statistics that show that 77 percent of the contracts that they let over \$100,000 use performance-based contracts, but not in this program.

Mr. TOOMEY. In your research have you found any evidence that the Park Service is moving in the direction of performance-based contracts in any systematic fashion?

Mr. HILL. We did not find any evidence of that, although I would defer to Ms. Finnerty who made reference to that in her remarks earlier.

Mr. TOOMEY. One of the things that is referred to in the GAO report, it states that there are several senior Park Service officials who indicate that the agency's has no plans to move in the direction of performance based. Maybe the question should be directed to Ms. Finnerty.

What is the position of the Park Service regarding the use of performance-based contracts and what kind of progress has been made, if any, in using them?

Ms. FINNERTY. Congressman, we have made and continue to make progress in the use of performance-based contracting. Much of the information gathered for this GAO report was gathered in 1998 and 1999, so it is dated. We certainly have moved forward in the last several months. Even though we do not believe that the concessions contracts are subjected to the Federal acquisition regulations as a whole because it is not Federal funds that are being used, we do agree that there are aspects of the FAR regulations that can and should be applied to concession contracting to help us do a better job, and one of those is performance-based contracting. And we are working closely with individuals in the departments and with our solicitor's office to get those procedures in place and hopefully have them in place starting in calendar year 2001. So it is our full intention to apply performance-based contracting as we get into all of the various revisions of contracts that we have to get underway in the next couple of years.

We also intend to use some of the aspects of FAR as far as training requirements and certification of individuals that are doing this contracting in the concessions field. We feel that is important, and part of our proposal is to get those individuals trained, to get them

warranted, adequate training so they can be more effective in the issuance of contracts.

Mr. TOOMEY. What you are saying then, beginning next year we will start to see greater prevalence of performance-based contracts. I wonder how long has it been that performance-based contracts have been the norm or widely accepted as the best practice for the Federal Government? And assuming that has been awhile, why is it that it is just now that the Park Service is starting to use these contracts?

Ms. FINNERTY. When this issue came up a number of years ago, we sought some legal advice about whether FAR regulations should apply to concessions contracting, and we were told no, they didn't. So probably we took that answer and went along our way. But in looking closely at some aspects of that, we realize that we certainly should be looking at pieces of that and making that applicable to our program, and we intend to do that.

Mr. TOOMEY. Thank you.

Chairman RADANOVICH. Thank you. Mr. Gutknecht.

Mr. GUTKNECHT. Mr. Hill, how long have you been with GAO?

Mr. HILL. Thirty years next month.

Mr. GUTKNECHT. So you have participated in a significant number of these kinds of audits?

Mr. HILL. A significant number, yes.

Mr. GUTKNECHT. I must say this is some of the toughest language I have ever read. Can you remember ever using language like this in an audit before, and can you give us a comparison? For example, when you say just reading from some of the comments in the audit, that—you say and I will quote, "Little hope for improvement. The agency's past record in taking action to change its hiring practices and upgrade its training is not encouraging," and you go on to say that the Park Service has generally agreed that it needs to professionalize its concession work force. However, the agency's past performance suggests to us that there can be little confidence that the agency will address these issues.

Literally, the more I read this, this is one of the most damning reports I think I have ever read. And it is particularly troubling because this is a—I mean, perhaps here in Washington \$765 million doesn't seem like a lot of money, but back home a three-quarters of a billion dollar business is a big business. And it may well be that to the average consumer of these facilities, in other words the people who go to the parks, their level of expectation is such that they may say well, I guess this is what we expect when we come to Death Valley. But at the same time we are charging, it seems to me, pretty healthy rates for these rooms. In some respects, Americans look at this and say, I am paying for this in my taxes, and now I am paying up to \$80 or perhaps more a night for these facilities. It just seems to me that we have a responsibility to treat them like real consumers and that is not what is happening.

I think the most troubling thing to me is that in your passages under the headline of Lack of Accountability—and frankly I was one who really felt that this committee, the Budget Committee, ought to have some subcommittees and we ought to have some oversight hearings, because when you look at all of the money that we spend on behalf of American taxpayers, I don't think that it is

too much for those taxpayers to ask that we do some effort to make certain that they get their money's worth.

Let me read some of the quotes, and I would like you to comment and perhaps Ms. Finnerty would like to comment as well. This is very troubling to me. "the former chief of concessions (who retired during the course of our review) told us that he did not have information on the condition of the lodging facilities in the parks."

He didn't have information. In some respects I have to ask myself: What is he doing?

"He indicated that our review would provide him with valuable information about the condition of these facilities. He did not have such information, because although the condition of the facilities is generally known by the park managers, it is not generally known or reported to higher levels within the agency."

That is astonishing to me, and it should be astonishing to every American. Here is a person who is responsible for concessions in the Federal park system and he doesn't know what the conditions are out there.

This is not just a simple matter of a little more management training. There is a fundamental breakdown here in who is responsible and accountable for what.

I will read another quote. Well, I don't have to read many more quotes. Is this one of the toughest audits that you have ever written?

Mr. HILL. I can't say that. It rates right up there. We have found similar types of concerns in other Park Service programs. There seems to be a pervasive culture out there where the park superintendents are given the authority and the discretion to basically operate the parks with little oversight by the regional or headquarters staff or accountability to them. We have found this in numerous areas over the years. This is another area that we are adding to it. It seems to be the culture of how the Park Service operates.

We are bothered by it. I can understand a decentralized organization. You would want the people to operate the park, but that doesn't mean that you divorce yourself from headquarters and regional office level in terms of oversight and management of the program. You need to have performance measures and objectives, goals. You need to have inspections and evaluations. You need to know how your program is operating at all 379 units because you want the taxpayers and the visitors to have the best experience possible when they visit these parks.

Mr. GUTKNECHT. Mr. Hill, in the private sector—and you hate to say that the parks ought to be run by the private sector, but they could learn a little bit. It strikes me if you had people operating facilities like this, at some point one of them might lose their job. Has anybody been terminated as a result of some of these things and continual breakdowns in management accountability?

Mr. HILL. No, not to our knowledge.

Mr. GUTKNECHT. Ms. Finnerty, do you want to respond to that? We are here representing the taxpayers. It is their parks, and we owe it to them to give them a good experience at a fair price, and it strikes me that is not what is happening out there.

Ms. FINNERTY. This accountability issue and dealing with a very decentralized organization is something that the Park Service is struggling with. We have 379 units, seven regional directors that try to provide oversight, enormously complex and numerous programs and issues and those kinds of things.

The director is very well aware that this is an issue not just for concessions but other programs. I think he is committed to trying to put in place better accountability systems and better checks and balances and being able to look at what is going on out there and reporting on—and doing evaluations and monitoring and those kinds of things.

The ability to roll information up on a national level is something that we have struggled with. You literally have to go to the parks to find out what the facts are.

We have made some good progress in the last year to get some systems in place so we can answer basic questions on a Service-wide basis. We are just going to keep working on it, and the director is committed to that. He is very well aware of this GAO audit and several others that we just have to address and try to figure out how we are going to become more accountable and get the information that we need at the national level and then how are we going to individually hold a very decentralized organization more accountable than it has been in some of these programs.

Mr. GUTKNECHT. Please assure us today that we will not have a situation 1 year from now where the person who is responsible for concessions has no idea what condition these facilities are in. It seems to me if they can't go out to some of these facilities they can send someone out. Employees from the National Park Service, if they would stay in some of these facilities, perhaps you can send a report with them and maybe give them a discount.

I have to come back to something that the GAO said, and that is, if you read their report, it essentially says money is not really the answer. I mean, at some point it really is about just managing the facilities that you have.

Unfortunately, I am afraid what is going to happen is the answer to every problem is more money. Well, excuse me, I don't think that this is going to take a whole lot of money to resolve. I think once the various park superintendents and managers understand that they will be held accountable and responsible for the facilities in those parks, I will bet that this will improve quickly. But until and unless—and this has to come from the top level of the Park Service. Until or unless people understand that they are going to be held accountable, this story is going to go on and on and on.

We won World War II in less than 4 years. The idea that it somehow takes year and years and years to get something done, even by the Federal Government, I think is just grossly overstated. I am sorry. On behalf of the people that I represent and on behalf of the people on the Budget Committee, we are going to demand more accountability of every agency. Because that is our job, and we are held accountable every 2 years.

I want to thank the chairman for holding these hearings. I hope that we have more.

It is not just to cause heartburn for folks like you. I do think that when you read through some of the things in this report, it is just

unbelievable. You are probably—we are all fortunate that our constituents out there back in fly-over country really won't get a chance to read this, because I suspect that people would be very furious if they learned that we have a \$765 million industry that is basically not accountable to anybody.

I yield back the balance of my time.

Chairman RADANOVICH. Thank you, Mr. Gutknecht.

Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman.

Let me, Ms. Finnerty, turn to you and ask you, first, to give us your take on a couple of the questions that I raised with Mr. Hill about the report itself; and then I obviously want to ask you about your time line and your plans for dealing with some of these GAO recommendations.

Do you have anything to add about the 10-year time frame and the persistence of the problem? Are there things that we should know about facilities where there have been persistent problems for 10 years or are we talking about a range of facilities, comparing apples and oranges? What would you say? Is it a fair generalization to say these problems have persisted over 10 years and really have not been dealt with?

Ms. FINNERTY. Without the baseline information that we have admitted and agree that we don't have, it is difficult for me to say that this has persisted for 10 years. I would expect, though, that we have had some condition problems and facilities that have been in various stages of disrepair over a period of time.

I think some of the management issues dealt with in the GAO report are things that have contributed to this, and I think obviously we need to get a better handle on it, and we need to be more accountable and have better baseline information so we know what is going on in the field. Beyond that, I could not speak whether these particular conditions have existed in the parks for 10 years. You would have to go out to the parks and look at their inspection reports and those kinds of things to get that information.

Mr. PRICE. And the GAO conclusion is that it really doesn't seem to matter whether you are talking about seasonal or year-around facilities or whether you are talking about privately owned or government property. Do you agree with that? In your own assessments, are there mitigating factors that we should attend to?

Ms. FINNERTY. I think, as we look at the various concession facilities, we see government-owned facilities that are in good shape and poor shape. I think there is a real mix. I think there is no particular pattern as far as seasonality and ownership. I think there are problems throughout. We haven't seen anything to indicate that there is more of a trend with one kind of ownership or one kind of seasonality than there is with something else.

Mr. PRICE. Can you just tell us in general terms what the Park Service's time line looks like for dealing with these recommendations, especially with respect to hiring practices and the implementation of a more systematic program of oversight and accountability?

Ms. FINNERTY. We have already started to work on a lot of these issues.

Looking at the training and professionalization, we have a 5-year training strategy which we have started to implement this year; and more of it is under development for the next several years. It is our intention to put more resources into training and professionalization of our personnel. And we do now have a source of funding through the 20 percent franchise fee accounts that we can put some more money into training and professionalization. We do have under way agreements with Northern Arizona University, Cornell and the Army to help us professionalize certain aspects of the program.

As far as our hiring practices, certainly as positions become vacant it is our intention to try to professionalize those and to try to hire from outside and try to strengthen and beef up the background and experience and training of these people.

As far as the contracting piece, we are actively involved in trying to apply best practices to contracting, and we hope at the beginning of 2001 we will be able to start applying some of those. Most of our contracts have to be redone. We have been on short extensions. We have had a long moratorium on contracting that is now over. So we have a good opportunity to influence lots of contracts that are coming up now for renegotiation and discussion. That is well under way.

We do have a request in or pending in the 2002 budget to get at some of the other staffing and professionalization needs. The idea of centralized inspections is one that we like a lot, and we are looking at options to try to provide that. We will continue to look at opportunities to outsource. We are already outsourcing about a million dollars of work, and I suspect that we will increase that over the coming years.

So efforts are under way and will continue. I think once we get the advisory board's report in November and some pretty strong recommendations from them, that will give us more impetus to move forward and hopefully to make improvements in the program.

Mr. PRICE. Let me ask you about the possible way that you might determine consumer satisfaction. We have talked about the quality of service being offered to the consumers, to the citizens who take advantage of visiting our parks. I assume that you have some kind of consumer satisfaction or visitor satisfaction surveys already. Let me ask you a couple of things about that.

First of all, have you analyzed those and can you say whether they reinforce or somehow contradict the GAO findings?

Secondly, are there any plans for maybe improving those instruments or using them in more systematic ways?

Ms. FINNERTY. I have here, Congressman, actually a customer survey report that we do every year in the National Park Service, and we have done it for a number of years. We do three to five parks a year. We survey the park visitors to see how we are doing. Over the last 5-7 years, we have gone to 70 or 80 parks. And on concession services we ask about lodging, food services and about gift shops. This is system-wide. It is not targeted—it is targeted at the parks that are surveyed for that year.

Mr. PRICE. Can you break it down for the individual parks?

Ms. FINNERTY. Yes. The ratings consistently go from 65 to 85 percent customer satisfied with lodging, food services and gift

shops. So they are consistently ranging 65 up to 85 percent, depending on the questions.

That doesn't mean that we couldn't do better, and it doesn't mean that we can't improve facilities and that kind of thing. And certainly maybe one of the things that we should consider, we do have a sociologist that works with us, and we could perhaps look at and think about doing more tailored surveying, particularly as it pertains to concession facilities to see how we might be doing and whether we are making the improvements. These questions are quite general, but we could maybe tailor them more specifically and look at some of these issues more specifically.

Mr. PRICE. Have you included in these surveys the specific parks that the GAO looked at and is there anything that you can say about the consistency or inconsistency of the findings?

Ms. FINNERTY. I didn't do that prior to this. I don't have a list of all of the parks that have been surveyed. We can certainly do that and compare if some of those same parks have been visited.

Mr. PRICE. I would find that of interest.

Ms. FINNERTY. OK.

Mr. PRICE. Your contracting arrangements, you say that your period of limited contracting is now ending because you have your regulations in place and you have longer term contracts. What kind of limitations are going to be on the contracts that you grant to private concessionaires? What prompts the decision in the first place about whether to privatize concessions or to maintain park-owned facilities? And how adequate—when you go the contracting route, how adequate are your contracting provisions in terms of holding those concessionaires accountable and getting the kind of service that you want?

Ms. FINNERTY. In response to your first question about whether we decide to go with a concession contract or decide to privatize, that case is made on a park-by-park basis.

One, we look at what provides the best service to the visitor. Do we need to have these facilities in a park to begin with or can these amenities and these services be provided outside of the park?

In some cases, we have moved facilities out of the park or we have determined not to have them in a park to begin with. This is all part of the planning process where discussions are held about can this be done outside of the park and still serve the visitor.

If they are going in a park, there is a lot of planning that has to be undertaken. We have got to look at compliance issues and those kind of things.

As far as the contracting is concerned, I think we are comfortable with the new contracting provisions in the law and in the regulations. We have been able to streamline the process. I think there is more provision for competition in the new procedures; and, obviously, we haven't done it yet because we are just about to launch into renegotiating over 200 contracts pursuant to the new regulations that have been in place for less than a month.

I think we have procedures in place, and we will see over the next year, 12-18 months, when we are looking at many contracts. But I think we are confident that the regulations and the contracting procedures will serve us well and will provide more competition

and hopefully a good return to the government and all of those kinds of things that we look at.

Mr. PRICE. One further question related to that is the leasehold surrender provision of the 1998 act. How do you assess that in terms of the kinds of incentives that it provides to concessionaires?

Ms. FINNERTY. We believe it provides incentives because it provides a compensable interest to the concessionaires. We have not applied it yet because we are about to launch into redoing the contracts.

One of the major intents behind the Concessions Management Act of 1998 was to make the concessions program more competitive, to attract more competition for individual contracts. The preferential rider renewal was removed; and the feeling of the Congress when they wrote the bill was that LSI, because it does provide a compensable interest, would put more competition into the process. And we believe that will happen, and it remains to be seen as we get in depth into the contracting procedures whether in fact that is true. We think that it will be.

Mr. PRICE. Thank you.

Chairman RADANOVICH. Mr. Garden, in Mr. Vreeman's contract with the National Park Service, is there any right to sue for breach of contract or anything?

Mr. GARDEN. No, there is no specific clause in the contract for that. I do know that National Park Service Manual 48 did at one point refer to bringing claims through the Interior Board of Contract Appeals. However, that requires a disputes clause to be in the contract to do that, and that clause is not in Kings Canyon's contract. I also note that National Park Service 48 is no longer valid. They pulled that recently.

Chairman RADANOVICH. Any other questions, Mr. Gutknecht?

Mr. GUTKNECHT. Thank you, Mr. Chairman.

Let me come back to a couple of points. I think it is great that you are doing these surveys, but next week I am going to go fishing, and I am going to stay in a cabin. I have been going to this place since I was 6 months old. When we first started going to this particular resort, the cabins were very, very basic. They had outdoor plumbing, and they have gradually improved them, and now they are too nice, and so we like a little bit of the outdoor experience. Your level of satisfaction is largely dependent on your level of expectation, and as you do this questionnaire you ought to allow the GAO to write the survey.

Here is a question that I want to ask. In terms of the facilities that we see here, who originally was responsible for building those facilities and who was responsible for maintaining them?

Ms. FINNERTY. Again, that may be different in different parks. When they enter into a concession contract, part of the contract has a maintenance agreement and deals with use and occupancy of the buildings.

Mr. GUTKNECHT. But, in general, who built the lodging facilities at the parks? Were they built by private sector?

Ms. FINNERTY. In general, government.

Mr. GUTKNECHT. In general, they were built by the taxpayers. There is a difference. If the consumer realized when they checked into these facilities that, A, they were built with taxpayer money;

and, B, this is a big business, somehow if there was some disclosure in that questionnaire I think you would get a lower level of satisfaction. So I hope when we do these questionnaires there is truth in advertising in terms of how much we put into it.

In fact, in fairness, at every one of the facilities if you are going to ask people whether they are satisfied you ought to tell them the American taxpayers invested \$5.3 million building this particular facility. We also invest X amount of dollars every year in keeping it maintained. Now against that backdrop—and you paid \$82 a night to stay here; how satisfied are you now? I think you would get a much different level.

More importantly, if you disclose and people are satisfied, that is great. That is what we want. We want satisfied customers. But I think we have to let people know the truth about how much we have already invested in many of these facilities. And I think, frankly, my own sense is, and we can get to the bottom of this, people would be shocked if they knew how much the American taxpayers had already paid for these facilities. I also have this instinctive belief that, wherever possible, concessionaires try to get the taxpayers to pay for the maintenance as well one way or the other.

Finally, I just hope—and this is just a suggestion because in some respects I hope we don't have to have you folks back next year, but, if we do, I hope you or Ms. Orlando will not be coming forward and saying, I have not seen these facilities. I hope there will be an effort by the department to make certain that one or both of you get out and visit most of these facilities and hold the superintendents more accountable and remind them how much we have already invested in the facilities and that we owe it to the American taxpayers to take good care of them.

I would hope, as you prepare the questionnaires for next year, you give people complete disclosure; B, that there is a real commitment by Ms. Orlando and the entire department to hold people accountable for these facilities.

That is my last word. I yield back the balance of my time.

Chairman RADANOVICH. Mr. Price, do you have one last question?

Mr. PRICE. On Mr. Gutknecht's point about how a questionnaire might be designed, let me just say I am not a professional designer of questionnaires, but it does strike me that a questionnaire of the sort you describe would be sending a fairly mixed message. We have spent X million dollars and you spent the night here, now how do you feel about that? I am not sure that you would get a more straightforward answer than if you simply said, did you have a good night's stay?

Anyway, it is, of course, important for people to understand where their tax dollars have gone. For us to make certain that they are getting good value and asking them how they feel about it is surely one way to do that.

Mr. Hill and Ms. Finnerty, you might both want to respond to this. It is a more general kind of question, but I wonder if we have really said all there is to be said about the centralized versus decentralized model of how all of this ought to work.

I take it that an implication of the GAO study is that Park Service operations are decentralized to their detriment, that there is a

lack of standardization, there is a lack of accountability, there is a kind of sporadic quality to the way that these operations go, and somehow we would be better served if there was a centralized bureaucracy or system that was somehow imposing a set of standards across the whole system or at least monitoring across the whole system. I don't know if that is a fair statement or not, but often there are some advantages and disadvantages associated with that kind of central management and that kind of top-down structure. And I don't know how far you are taking that recommendation, but I would appreciate you and Ms. Finnerty reflecting on it.

Are there advantages to this decentralized structure? Obviously, there are some individual facilities that haven't had the attention that they should have had. I think everyone agrees to that. Is the case for more centralized operations? Or are we overlooking some possible benefits of a looser and more decentralized and diverse kind of organizational structure?

Mr. HILL. Mr. Price, if I may respond, we are not advocating centralized operations. There are 379 parks. Each of them is unique. It has to be done in a decentralized way. The park superintendent knows what is going on at the park, knows the community and the surrounding area, knows the problems and concerns and the issues that need to be dealt with in operating that particular park.

What we are talking about is centralized oversight from the agency level in terms of their overall programmatic goal. If a programmatic goal is to have a concessions program, facilities that meet nationwide standards, programmatic standards, you want to have somebody at the central office at headquarters or certainly down at the regional office level providing periodic inspections and oversight to make sure that the program goals and standards are being carried out consistently.

The one recommendation that we made dealing with a formal inspection program I relate back to comparing it to private industry. If you have a private motel chain like a Holiday Inn or somebody who has franchises across the country, they have inspection teams that go out to make sure that each of those franchises are meeting certain minimum standards that the Holiday Inn or whatever facilities has to meet. If those standards are not met, they take their name off of that particular facility, and they are not part of that chain any more.

We have a nationwide park system, and we want that park system to meet certain standards, and they deal with safety standards, health standards—in this particular case, lodging conditions standards. Someone at the regional or central office I think needs to get on top of it to determine what are the conditions of these lodging facilities in our parks. And if there are problems, let's deal with them and get these facilities up to the standard.

Mr. PRICE. Ms. Finnerty, do you have any comment on that issue of organizational structure?

Ms. FINNERTY. Yes, I would agree with Mr. Hill's assessment. I don't think that the answer is more centralization. I actually think it would be very difficult to have that work with the system the way that it is structured in all of the parks.

Having said that, I think we in the Service, for this program and others, need to do a better job at the top setting priorities that are

important and goals and objectives to be accomplished; and then that needs to be conveyed down to regional directors to ensure that the accountability is there.

I think we do need to standardize our procedures on this program so that we are looking at the same things. I think we need to continue to work on gathering baseline information and baseline data so that we can answer questions about what is going on on a system-wide basis. I think those things can be done even within a decentralized organization, and we are working on it, and the director is committed to trying to improve some of these systems that currently are fragmented and are not nearly as consistent as they need to be.

I think that is the challenge that we face. I think it is better systems in place, better accountability and agreement on objectives and goals and things that are important. All of these people have enormous workloads and a lot of issues to deal with, and we have to decide which of those are perhaps more important than others.

Mr. PRICE. Thank you.

Chairman RADANOVICH. Thank you, lady and gentlemen, for the excellent testimony.

This concludes this hearing, and I do appreciate your participation. Thank you.

[Whereupon, at 3:39 p.m., the Task Force was adjourned.]